

# **DWS Fiscal Monitoring Plan**

*Updated November 24, 2004*

This Plan covers the DWS activities to monitor all of its contracts and grants with local agencies. These activities do not replace monitoring efforts by the local agencies.

## **Principles Governing DWS Fiscal Monitoring**

The importance of meeting high standards of financial management is reflected in the strategic values and goals of the Department and the Division.

Maintaining sound financial management and accountability is the primary responsibility of each local agency, its governing board and its independent auditor. In addition, the expenditure and reimbursement of funds is integrally connected with the delivery of services under a contract or grant. DWS contract managers and grant administrators are involved in on-going reviews of agency performance and accomplishments. There must be a link between the service or program delivery and the reimbursement being requested by the agency under contract or grant.

Implementation of a Fiscal Monitoring Plan includes balancing the risk of potential financial problems with the availability of staff resources. Not all agencies require the same level of oversight or need the same level of technical assistance. Specific items to be monitored can change over time to meet current circumstances.

## **Fiscal Monitoring Plan Details**

### **1. Why do fiscal monitoring?**

The Division is entrusted with public funds from both state and federal sources and must be able to assure funding agencies and the public that programs are administered responsibly and effectively. Assuring financial responsibility includes balancing responsibilities among:

- the Division of Workforce Solutions;
- the local agency under contract/grant; and,
- the independent auditor selected by the local agency to audit the local agency under contract/grant.

In addition to identifying how well local agencies are meeting fiscal requirements, fiscal monitoring is also a method to identify how well the Department is communicating fiscal policies and procedures and how well the Department is supporting its staff and local agency staff in the fiscal aspects of contract/grant administration.

### **2. Who is monitored?**

DWS contracts/grants with a wide range of agencies so our approach to fiscal monitoring must reflect that diversity. All DWS contract/grant agencies are subject to fiscal monitoring by the Department or its designee. Four categories of agencies have been defined to delineate different intensities of monitoring. The categories reflect characteristics of agencies such as type of agency (i.e., public or private), dollar amount

of contract/grant, and previous experience with the Division. The list below identifies which agencies fall into which category. Agencies selected for on-site monitoring visits generally will be among the Category D agencies.

#### Category A

- ❑ County, tribal or private agencies under contract/grant with DWS that are not subject to independent audit requirements (e.g., combined annual payments under contracts/grants of less than \$25,000 per year) and have not had significant management issues raised through program monitoring or other means (e.g., complaints, newspaper articles, etc.), or that are not subject by DWS to increased requirements for fiscal issues.

#### Category B

- ❑ Counties or tribal agencies that have not had significant audit findings or management issues raised in their most recent annual independent audit or through program monitoring or other means (e.g., complaints, newspaper articles, etc.), or that are not subject by DWS to increased requirements for fiscal issues.

#### Category C

- ❑ Private organizations with contract/grant payments totaling more than \$25,000 annually including Community Based Organizations, Workforce Development Boards, and for-profit agencies that have not had significant audit findings or management issues raised in their most recent annual independent audit or through program monitoring or other means (e.g., complaints, newspaper articles, etc.), or that are not subject by DWS to increased requirements for fiscal issues.

#### Category D

- ❑ New agencies (i.e., agencies that have not had a contract/grant with the Department of Workforce Development within the previous three years).
- ❑ Agencies forming new consortiums or entering new geographic areas under W-2.
- ❑ County, Tribal and private agencies that have had significant audit findings or management issues raised in their most recent annual independent audit or through program monitoring or other means (e.g., complaints, newspaper articles, etc.), or those that are subject by DWS to increased requirements for fiscal issues.
- ❑ Any agency administering a contract/grant where DWD has determined that, because of the complexity or newness of the funding requirements, additional scrutiny is required.
- ❑ Any agency that has significant program or financial management problems, is financially unstable, has failed to effectively address corrective action requirements for fiscal issues, or other circumstances of a serious nature as determined by the Department.

Note: Other factors, developed by the Department, may contribute to the categorization of agencies for the purpose of fiscal monitoring as applicable.

### 3. Who performs the monitoring and other functions that support monitoring?

Effective fiscal monitoring requires a well-coordinated collaborative effort among staff in DWS and clear direction from management.

The following is a description of the major categories within DWS staff and the role each plays in the overall fiscal monitoring strategy.

- A. DWS contract managers and grant administrators have the primary role in monitoring local agencies. These staff people are located in the Bureau of Wisconsin Works (BW-2), the Bureau of Child Support (BCS), the Bureau of Workforce Programs (BWP) and the Bureau of Migrant, Refugee and Labor Services. Contract managers and grant administrators have responsibility for:
  - receiving and reviewing monthly expenditure reports;
  - reviewing and approving program plans;
  - verifying data and performing data analysis and following up on data analysis performed by others to resolve problems, including gathering additional documentation, as appropriate;
  - reviewing and approving/disapproving requests for prior approval from contract/grant agencies (e.g., employee bonuses, reviewing sub-contracts/grants);
  - incorporating fiscal questions in on-site program monitoring as needed;
  - conducting off-site (desk) and on-site fiscal monitoring and writing reports;
- B. DWS auditing, accounting, contracts and grants specialists in the Bureau of Division-Wide Services (BDS) Grants and Contracts Section have responsibility as follows:
  - a. Auditing Specialists:
    - conducting Pre-Funding Reviews;
    - reviewing of local agency independent audits for compliance with requirements;
    - managing the process for resolution of findings or issues, including discussions with contract managers or grant administrators, legal counsel and others as appropriate;
    - providing assistance to contract managers or grant administrators in problem resolution and for selected on-site reviews (e.g., when there is an unusual or difficult fiscal issue that requires their expertise);
    - conducting monitoring reviews including report writing;
    - reviewing financial, fiscal monitoring and audit policies and procedures on an annual basis and updating as necessary;
    - managing external reviews and audits commissioned by the Department as a part of the Fiscal Monitoring Plan;
    - coordinating revisions and updates to the Single Agency Audit Guide and the Provider Agency Audit Guide for DWS programs;
    - developing and communicating fiscal policies for the Division's programs that effectively implement state federal and department policies.
    - Developing and testing monitoring tools as necessary.

b. Accounting, Contracts/Grants Specialists:

- analyzing monthly expenditures from the Department's fiscal systems and other data to identify potential areas of concern;
- designing and providing training and technical assistance to the Division's contract managers and grant administrators;
- designing and providing training and technical assistance to local agency staff on fiscal issues;
- contributing to the development of audit specifications for inclusion in the Single Agency Audit Guide or the Provider Agency Audit Guide, and for special audits or reviews commissioned by DWS;
- providing assistance to contract managers or grant administrators in problem resolution and for selected on-site.

Deleted: ¶

c. BDS Contracts and Grants Section staff also serve to coordinate monitoring efforts for DWS programs as necessary to assure financial oversight of contracts/grants. Current efforts include coordinating the division's efforts to enhance the monitoring of Child Care Providers.

C. DWS management in the Division's bureaus with roles in local agency contracts/grants (includes BDS, BW-2, BCS, BWP, BMRLS) and the Administrator's Office will provide guidance on special focus areas to be included in Fiscal Monitoring in addition to routine monitoring.

Outside auditors working under contract with the Division will provide a means of supplementing the DWS staff involved in fiscal monitoring and oversight. Use of outside auditors can assist the Division through their professional expertise and their availability for specific, targeted reviews or audits. Different aspects of the overall Fiscal Monitoring Plan require different types and levels of expertise, and the use of outside auditors is an essential component of the Plan.

#### 4. What is monitored?

There are three major areas of monitoring: compliance, capacity and variable needs.

##### Compliance -

1. Allowability of costs including:

- Are costs allowable under federal and state guidelines?
- Are expenditures appropriately documented?
- Are costs appropriate under the contract/grant?
- Expenditure patterns – are expenditures reasonable given program delivery and the terms of the contract/grant?
- Covered by operational plan – many DWS programs require an operational plan to be submitted by the local agency and approved by the Division. Are the reported expenses consistent with the approved operational plan?
- Process for determining which costs are associated with eligible participants (e.g., TANF eligibility) – does the agency have and apply an acceptable method for determining eligibility of program participants and allocating costs when non-eligible program participants are also served?

2. Compliance with DWS requirements including:

- Caps and limits – Are caps on funding in compliance such as administrative cost caps? Are match requirements met, if applicable?
- Are expenditure reports accurate and timely?
- Is prior approval obtained as required?
- Other requirements, such as:
  - Compliance with DWS subcontract/grant approval and monitoring requirements
  - Compliance with requirement for documentation of expense reporting, corrections and adjustments
  - Compliance with auditor independence requirements
  - Compliance with cost allocation and effort reporting requirements
  - Compliance with requirement for timely reconciliations

Capacity –

1. For new agencies, do local agencies have the necessary organizational structure and fiscal base to appropriately manage DWS grants?
2. For continuing agencies, do local agency staff have the training and organizational support to meet the Division's expectations?

Variable Needs–

The items in this category will differ depending on the issues identified in the Fiscal Monitoring Plan and the priorities of the Department. DWS management will be consulted to assess the upcoming schedule of activities and priorities and identify new areas to be reviewed or substituted in the plan. The SFY 2005 plan could include some or all of the following:

- annual review of selected agencies for appropriateness of W-2 costs claimed against the W-2 contract (identified in the LAB audit);
- review of methodologies used for reporting worker effort (for information gathering in conjunction with the Department's Random Moment Survey project);
- review of expenditures, reporting and cost allocation as it relates to contract/grant requirements;
- assessment of the implementation and compliance with DWD financial policies or policy clarifications (e.g., Cost Allocation Bases)
- examination and data collection in areas identified by the Department for policy clarification (e.g., outreach activities)

**5. When does monitoring occur?**

Fiscal monitoring is done at three different stages of the contract or grant cycle; before the contract or grant is issued, during the life of the contract or grant, including at the end of the agency's fiscal year, and at the closeout or termination of the contract or grant.

### Before grant or contract issuance

Pre-Funding Reviews may be conducted for agencies awarded a contract/grant by DWS for the first time. The purpose is to assure that an agency selected to administer a DWS grant or contract has the organizational and business structure in place to properly account for and manage state or federal resources.

As a result of the Pre-Funding Review, the selected agency may be required to provide requested documentation, may be subject to additional reporting requirements or may have other conditions included in their contract/grant.

In many cases, agencies are selected to administer programs through a Request for Proposals process (RFP). RFPs for DWS programs are to include the requirement for documentation on financial strength and capacity of the proposer agency.

The Division retains the discretion to waive the Pre-Funding Review or alter the timeframes for completion of the reviews.

### Ongoing during the period of the grant or contract

- Routine Off-site (Desk) Monitoring
- On-site Monitoring
- Annual independent audits, depending on the length of the contract/grant and the fiscal year of the agency
- Specialty audits or reviews at the Division's discretion

### At the end of the grant period or termination

Contract/grant close out procedures will be applied. Any funds owed the Department will be recovered. A record of fiscal issues or concerns will be maintained in the event a future contract/grant with the agency is considered.

## **6. How is monitoring to be conducted?**

### Data Analysis

An automated system (WISARD which stands for the **WIS**MART Accounting and Reporting **D**ata warehouse) has been used for some aspects of DWS contracts/grants. This system produces management reports used to make a determination of which agencies require additional attention in monitoring because of anomalies or questionable reporting.

Some data analysis from other sources may also be required. The Fiscal Monitoring Plan is predicated on having data analysis performed to focus monitoring efforts and to prioritize the allocation of monitoring resources.

### Fiscal Components of Routine Off-site and On-site Monitoring

Tools are developed for both off-site and on-site monitoring. There are some documents currently in use for specific DWS programs. The goal is to develop tools that are modularized so reviews can be customized for each individual agency or for groups of similar agencies.

#### DWD Review of Local Agency Audits

BDS reviews local agency audits to assure that the requirements of the Single Audit Guide and Provider Audit Guide, as well as federal and state requirements including the US General Accounting Office Yellow Book are met. Grant and contract language includes the requirement for an annual audit. A tracking system is maintained by the audit staff of the BDS Grants and Contracts Section to identify anticipated and received audits. A monthly Audit Status Register is issued. Overdue notices are sent to agencies who do not submit audits timely and for whom DWD is the designated agency to receive audits

#### Additional Audits or Audit Requirements for Special Purposes

At the Department's discretion additional audit work or reviews will be conducted when fiscal situations warrant, using internal and external professional auditing services. (either from audit firms on state procurement bulletins, Legislative Audit Bureau or others).

Additional audits or reviews are not designed or intended to take the place of Single Agency Audits or Provider Agency Audits. Since these are not comprehensive audits, they can focus on a particular category of expenses, certain fiscal processes or other items of interest or concern to the Division.

### **7. How is monitoring integrated with training and technical assistance?**

Training and communication methods are being developed and used as the need arises. Such training has included conference calls with local agency representatives; annual conferences such as the Child Support Enforcement Association Conference or the County Financial Managers Conference; attendance at meetings of Bureau staff; and the scheduling of other training events.

Training may focus on correcting common weaknesses and/or sharing best practices noted during the monitoring process.

### **8. How is monitoring integrated with determining achievement of performance standards?**

To the extent performance requirements in local agency contracts/grants relate to financial management, monitoring of local agency performance will be included in the Fiscal Monitoring Plan. Two performance standards under the W-2 Contract address Agency Accountability; Financial Management and Contract Compliance.

### **9. How are the Fiscal Monitoring Plan and monitoring results shared?**

Fiscal Monitoring Plan will be shared with all local agencies under contract/grant with DWS and with all contract managers and grant administrators to reinforce the Department's commitment to assuring the highest level of financial management and to establish the context for monitoring and contract/grant management activities by the Division.

Monitoring results will be shared with the agency being monitored as well as with

Division staff. Various Division staff will be involved in different aspects of fiscal monitoring so that DWS has a complete picture of an agency's fiscal performance and any issues or concerns.

Following are the details of the agencies selected and the costs for this year's fiscal monitoring.



## **SFY 2005 Fiscal Onsite Monitoring Detail Plan**

### **Selection Of Providers For SFY 2005 Onsite Monitoring Visits**

We are planning to visit between 30 and 34 providers during SFY 2005. Some may have two visits. The providers to be visited are:

1. Eleven W-2 providers consisting of:
  - All 8 private W-2 providers (ACS, Maximus, OIC, UMOS, Forward Services, Kaiser, WOW WDB and Workforce Connections). These involve large funding amounts. All were visited last year and we had issues at several of them. Some have recently expanded their territories.
  - The 3 new consortiums of Dane/Capital, Ashland/Price and Sawyer/Washburn. The SW, PAW and Manitowoc/Sheboygan consortiums were visited last year.
2. Nine Workforce Development Boards (WDB's) in addition to the two included in the private W-2 providers above (WOW and Workforce Connections). Program staff request that all 11 WDB's be visited each year.
3. Up to 2 counties to be selected later. These selections could be based on FY 2003 audit results (audits due September 30, 2004), high-risk situations (such as financial staff turnover) or referrals from Regional Offices/program staff.
4. Up to 2 private providers in programs other than W-2 or WIA. These selections could be based on FY 2003 audit results, high-risk situations (such as financial staff turnover) or referrals from Regional Offices/program staff.
5. Ten Child Care Providers that receive Child Care Subsidy payments. The ten will be selected from referrals made by 14 large Counties. A separate monitoring tool for subsidy payments will be developed for these visits. The visits will focus only on the subsidy payments. The results will be evaluated to determine if the visits should be expanded in this and/or future years.
6. Up to 10 follow-up visits of providers where significant issues were found during monitoring visits conducted in SFY 2004. The 10 providers are OIC, UMOS, Kaiser, ACS, Maximus, Forward Services, Outagamie County, and the consortiums of PAW, Lakeshore and Southwest. These visits would be to verify that past findings have been resolved. Many of these providers are scheduled for new visits above and the follow-up may be incorporated into those visits.

### **Budget and Who Will Conduct the Visits**

The CPA firms of SFS and Jefferson Wells will divide the 8 private W-2 agencies, 2 Counties and the 3 W-2 consortiums. DWS staff will conduct the remaining visits and may assist with some or all of the CPA visits.

It is estimated that each CPA visit will cost \$8,000 and each DWS conducted visit will cost approximately \$250 (travel only). To perform the maximum planned visits, it would

cost an estimated \$115,000 (13 CPA visits @ \$8,000 plus 34 DWS visits @ \$250 plus 10 follow-up visits by DWS @ \$250). The 34 DWS visits include 21 providers we review alone plus 13 providers visited by CPA firms where we could participate.

Type	Quantity	CPA Costs	DWS Costs	Total Costs	Funding Source
W-2 Privates	8	\$64,000	\$2,000	\$66,000	W-2
Consortiums	3	24,000	750	24,750	W-2
WDB's	9	-0-	2,250	2,250	WIA
Counties	2	16,000	500	16,500	W-2
Other Private	2	-0-	500	500	Undetermined
Child Care	10	-0-	2,500	2,500	Child Care
Follow-ups	10	-0-	2,500	2,500	W-2
Totals	44	\$104,000	\$11,000	\$115,000	
=====					

A total of \$35,000 is also reserved for unforeseen events that might arise and pose serious problems for DWS.

**Total Funds Needed: \$150,000**